



Hurricane Indemnity Program 2005 Hurricane Assistance

Overview

USDA Farm Service Agency's (FSA) Hurricane Indemnity Program (HIP) will provide funds to eligible agricultural producers who suffered crop losses due to 2005 Hurricanes Dennis, Katrina, Ophelia, Rita, and Wilma. By providing additional crop loss assistance, HIP will help restore purchasing power for producers affected by the hurricanes. HIP funding is authorized by Section 32 of the Agricultural Adjustment Act of August 24, 1935. The Act allows the Secretary of Agriculture to use funds to help re-establish the purchasing power of farmers, ranchers and producers.

Eligible Counties

The crop loss must have occurred in one of 261 counties receiving a primary presidential or secretarial disaster designation due to calendar year 2005 hurricanes. HIP assistance is not available for contiguous counties.

A list of the eligible counties, located in Alabama, Florida, Louisiana, Mississippi, North Carolina, and Texas, is available online at: <http://www.fsa.usda.gov/pas/publications/facts/html/hurrcounties06.htm>.

Eligible Producers

To be eligible for HIP assistance, producers must have received either:

- A 2005 or 2006 USDA Risk Management Agency (RMA) Federal Crop Insurance Corporation indemnity payment for insured crops; or
- A 2005 or 2006 FSA Noninsured Crop Disaster Assistance Program (NAP) crop loss payment.

The payment must have been for an eligible hurricane in an eligible county during an applicable disaster period. The crop loss must have been due to:

- Excessive moisture, precipitation, and/or rain;
- Flooding;
- Excessive wind;
- Cyclone;
- Tornado;
- Hurricane or tropical depression;
- Storm surge; and/or
- Salinity due to salt water intrusion.

Payments

Producers' HIP benefits cannot exceed 95 percent of the value of expected crop returns in the absence of a disaster. HIP payments will equal the lesser of the results of Method 1 or Method 2.

Method 1

- Step 1: The crop's actual production value.
 Step 2: Plus the crop's insurance or NAP payment for eligible crop losses.
 Step 3: Minus the crop insurance premium for the indemnity.
 Step 4: The crop's expected value in the absence of a disaster times 95 percent.
 Step 5: The sum of Step 4 minus the sum of Steps 1-3.

Method 2

30 percent of the producer's crop insurance or NAP payment for eligible crop losses.

For example, using Method 1, a producer's HIP payment would be calculated as follows:

crop's actual value	\$40,000 (Step 1)
crop insur. payment	<u>+\$30,000</u> (Step 2)
	\$70,000
crop insur. premium	<u>-\$2,000</u> (Step 3)
(Sum of Steps 1-3)	\$68,000
crop's expected value	\$100,000
	<u>x 95%</u> (Step 4)
(Sum of Step 4)	\$95,000
	<u>-\$68,000</u> (Step 5)
Max. possible payment	\$27,000

Using Method 2, the same producer's HIP payment would be:

crop insurance payment	\$30,000
	<u>x 30 percent</u>
Calculated HIP payment	\$9,000

The producer in this example would receive the calculated HIP payment of \$9,000 which is less than the calculated result from Method 1.

RMA determines expected values using the producer's crop policy information for insured crops. FSA determines expected values using the producer's price and yield for NAP crops.

Payments will be issued after an application has been submitted by the producer and all supporting documents have been filed.

Multiple Causes of Crop Loss

Producers suffering eligible hurricane crop losses may also have been affected by other causes of loss prior to the hurricanes. Since crop insurance indemnities and NAP payments are not finalized until the harvest is complete or the crop is abandoned, RMA and FSA cannot specifically prorate indemnities or NAP payments strictly for the hurricanes.

Therefore, if a producer received an insurance indemnity or NAP payment for multiple causes of loss, FSA will use the entire insurance indemnity or NAP payment to determine the HIP benefit. If FSA later determines that the cause of loss was not due to a hurricane or related conditions, FSA will not issue a HIP payment.

Payment Limitations

No "person" may receive more than \$80,000 in HIP payments. An individual or entity whose average adjusted gross income exceeds \$2.5 million is ineligible for HIP benefits, unless 75 percent or more of their income is derived from farming, ranching, and/or forestry.

Sign-up and Application Requirements

HIP sign-up will begin on May 17, 2006, at local FSA offices. On the HIP application, producers must certify that the crop loss was due to an eligible hurricane in an eligible county during the applicable time period. Applications must be filed in the local FSA county office where the loss physically occurred.

For More Information

The HIP assistance is part of a \$4.5 billion USDA package of aid to help agricultural producers and rural communities recover from the 2005 Gulf Coast hurricane season. For more information on HIP and other USDA disaster aid programs, visit your local FSA office and FSA's Web site at: <http://disaster.fsa.usda.gov/fsa.asp>.

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